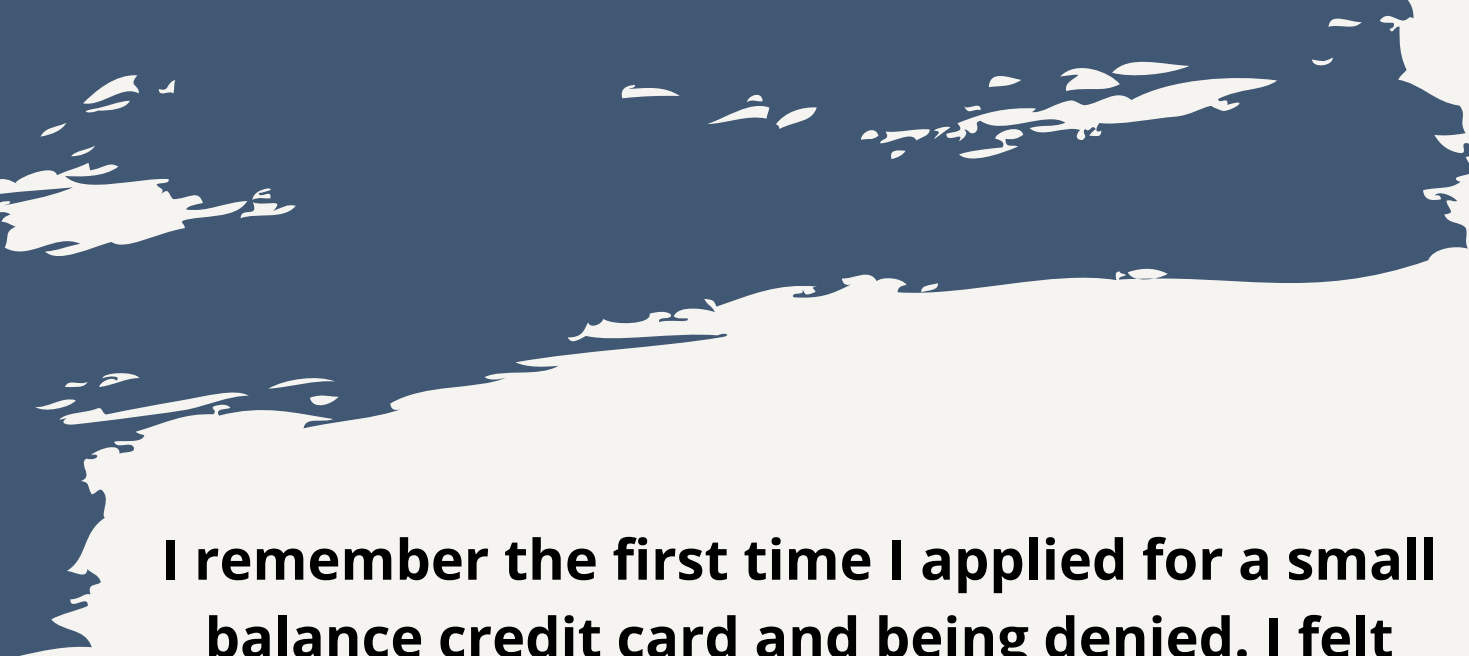




BUILDING CREDIT PART 1

NW ADVENTIST FCU




I remember the first time I applied for a small balance credit card and being denied. I felt awful as the store clerk looked at me and said sorry it wasn't approved. I didn't have any credit and was stuck feeling like if I wasn't offered credit now how would I ever have good credit? I had much learning to do.

Several months later, I started working at NW Adventist Federal Credit Union as a teller and my eyes were opened. Navigating the credit world through the eyes of the lender helped me start my credit journey. I am thankful that today I get to help people with this exact problem and more complex issues people might face.

Today I will give you some tips to help you build your credit or repair bad credit. Let me start by giving you an overview of what your credit report contains to better understand how we can build credit. Your credit report contains:

Consumer Information. Your name, address, phone number, Social Security Number and DOB. Last Reported Employment.

Account overview and summary. This is a quick glance to all the accounts you have by category. Revolving accounts (Credit cards or any account that gives you a credit limit to spend with no maturity date as long as your account is in good standing). Installment Account (Personal or signature loan. An account that you are agreeing to pay back a specific amount of money over a specific period). Mortgage (Account secured by a lien on real estate). Line of Credit (account that lets you borrow money up to a preset limit by writing checks, bank card or making withdrawals). The account overview also shows the average age of your credit history.



Credit Score. Sometimes referred to as FICO score. Your credit rating and 5 reasons for your score.

Potential negative information. Bankruptcies and collections. Any bankruptcy details like date filed, status, and date discharged or dismissed. Collections shows 3rd party collection details like date reported, status, owing balance, last payment date and original creditor name.

Now that we know what is on your credit, here are the contributing factors and how they impact your score.


35% - Payment History - on time payments and delinquency.

30% - Capacity - how much debt you have and your ability to repay them.

15% - Credit History -the length of account history

10% -Number of credit inquiries -how often your credit is pulled


10% - Mix of credit



The 2 major factors that account for 65% of your score, Payment History and Capacity, is what you have control over at this point in time. And with good financial habits you set today, you can slowly work on the rest 35% of your score. Credit history, number of inquiries and mix of credit.

If you are trying to repair or improve your score, start by paying down or paying off your credit cards. Continue to make monthly payments on time and do not close any credit card your pay off. This eliminates the capacity and payment history of that card, which in turn will hurt your score.

If you have no credit yet, apply for a credit card. I personally recommend going with a credit union in your community. Start with a small balance credit card and put a couple of small monthly charges like your Netflix subscription or other monthly subscriptions and pay them off every time your bill is due. This helps you start with the 2 major factors of your score. After several months (3-6 months) ask for a limit increase on your card or apply for another revolving account or line of credit. Keep in mind that every time you ask for an increase or apply for an account, creditors pull your credit or check your score, taking points off your score. Too many inquiries in a 12-month period starts to have a negative impact on your score, especially if you are just starting out.



**I hope this information is helpful to you
and your credit journey.
stay tuned for Building Your Credit
Part 2**



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Jessica Ramos

President/CEO/Manager